

**ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012**

Note	2012 R	2011 R
2 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of the following:		
Cash on hand	5,000	5,000
Call deposits	170,021,780	175,008,351
	<u>170,026,780</u>	<u>175,013,351</u>
The Municipality has the following bank accounts:		
Current Account (Primary Bank Account)		
ABSA BANK - KZN Public Sector Branch: 4047162045		
Cash book balance at beginning of year	(30,395,497)	27,156,937
Cash book balance at end of year	(39,476,013)	(30,395,497)
Bank statement balance at beginning of year	51,885,662	51,885,662
Bank statement balance at end of year	55,427,514	51,885,662
Cash on hand	5,000	5,000
Total cash and cash equivalents	<u>170,026,780</u>	<u>175,013,351</u>
Total bank overdraft	<u>39,476,013</u>	<u>30,395,497</u>
Investments		
Absa Bank	95,021,780	85,008,351
First National Bank	65,000,000	50,000,000
Standard Bank	10,000,000	30,000,000
Investec	-	10,000,000
Total Investments	<u>170,021,780</u>	<u>175,008,351</u>

3 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS	Gross Balances	Provision for Doubtful Debts	Net Balance
	R	R	R
Trade receivables as at 30 June 2012			
Service debtors			
Water and Sanitation	<u>53,573,323</u>	<u>48,113,262</u>	<u>5,460,061</u>
Other Receivables			
Total	<u>53,573,323</u>	<u>48,113,262</u>	<u>5,460,061</u>
as at 30 June 2011			
Service debtors			
Water and Sanitation	42,909,000	38,935,851	3,973,149
Other Receivables	<u>2,677,328</u>	<u>2,677,328</u>	-
Total	45,586,328	41,613,179	3,973,149
Water and Sewerage: Ageing	18		
Current (0-30 days)		2,761,261	2,256,703
31-60 Days		2,338,406	2,179,871
61 - 90 Days		1,572,133	2,675,005
91 - 120 Days		1,564,275	35,156,892
121 - 365 Days		1,523,492	
+ 365 Days		<u>43,813,756</u>	
Total		<u>53,573,323</u>	<u>42,268,471</u>

Summary of Debtors by Customer Classification		Consumers	Industrial/ Commercial/ National & Provincial Government	
	R		R	R
as at 30 June 2012				
Current (0-30 days)	1,399,426	1,361,834	2,761,261	
31-60 Days	1,121,484	1,216,922	2,338,406	
61-90 Days	942,321	629,812	1,572,133	
91-120 Days	1,088,761	475,514	1,564,275	
121-365 days	1,007,876	515,617	1,523,492	
+ 365 Days	<u>40,038,201</u>	<u>3,775,555</u>	<u>43,813,756</u>	
Sub-total	45,598,068	7,975,254	53,573,323	
Less: Provision for doubtful debts				
Total debtors by customer classification	45,598,068	7,975,254	53,573,323	
as at 30 June 2011				
Current (0-30 days)	15,271,372	679,454	15,950,826	
31-60 Days	8,235,337	304,657	8,539,994	
61 - 90 Days	1,583,263	35,402	1,618,665	
91 - 120 Days	1,229,419	36,281	1,265,700	
121 - 365 Days	13,450,436	1,442,849	14,893,286	
+ 365 Days	-	-	-	
Sub-total	39,769,827	2,498,643	42,268,471	
Less: Provision for doubtful debts				
Total debtors by customer classification	<u>39,769,827</u>	<u>2,498,643</u>	<u>42,268,471</u>	

Balance at beginning of the year	41,613,179	26,851,129
Contributions to provision	6,500,083	14,996,451
Reversal of provision	-	-234,401
Balance at end of year	<u>48,113,262</u>	<u>41,613,179</u>

Trade and other receivables past due but not impaired

19

Trade and other receivables which are regular payers with amounts owing less than 60 days past due are not considered to be impaired.

At 30 June 2011, R825 097 - (2010: R1 505 802) were past due but not impaired. Irregular payers with amounts owing less than 180 days past due are considered to be 50% impaired. At 30 June 2011, R 2 819 900 (2010: R4 782 370), were past due and not impaired.

The ageing of amounts past due but not impaired is as follows:

Less than 60 days past due	1,499,779	825,097
Less than 180 days past due	3,960,282	3,148,052
	<u>5,460,061</u>	<u>3,973,149</u>

3 Reconciliation of the doubtful debt provision

Trade and other receivables impaired

As of 30 June 2012, trade and other receivables of R48 113 262 - (2011: R41 613 179) were impaired and provided for. The ageing of these receivables is as follows:

3 to 6 months	48,113,262	41,613,179
Over 6 months	3,605,107	8,487,882
	<u>44,508,155</u>	<u>33,125,297</u>

The fair value of trade and other receivables approximates their carrying amounts.

4 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Debtor: Ondini Motors	18,111	
Debtor: PM Zulu	822	
Debtor: Interest on Investment	776,083	
Debtor: Independent Electoral Commission	1,291	
Debtor: BG Shawe	480 19,183	
Debtor: SCN Zungu	27,816	
Debtor: Sundry Debtors	1,420	
Debtor: NP Ngcobo	659	
Debtor: Nongoma Municipality	10,000	
Debtor: Mthethwa TW Group Life	75,101	
Debtor: JB Dlamini	184,121	
Debtor: Edumbe Municipality	141,732	
Debtor: Nongoma Municipality	48,833	
Debtor: Insurance Claim	217,520	
Debtor: Ulundi Municipality	179,244	
Debtor: Pongola Municipality	689,920	
Deposit: Federal Air	-	2,792,866
Other Debtors	<u>17,218</u>	<u>11,813</u>
Bursary Debtor	<u>2,409,553</u>	<u>2,804,679</u>
Net Balance		

5 INVENTORIES**Closing balance of inventories:**

Consumable stores
Water meters
Water

2,550,081

2,550,081

1,869,662

1,502,686

130,540

236,437

6 PREPAYMENTS

Prepaid expenses

Includes payments for Kwanaloga and accommodation for Kwanaloga games 2012
and Pay Day Annual Licences

1,269,012494,494**7 NON-CURRENT RECEIVABLES**

Car loans

-

27,469

Debtor: Eskom Deposits

3,348,906

2,465,767

Deposit: Property 165 President Str

6,044

6,044

Other non-current receivables

-16,298**Total****3,354,950****2,515,578**

ZULULAND DISTRICT MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

PROPERTY, PLANT AND EQUIPMENT	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
Reconciliation of Carrying Value:	R	R	R	R	R	R	R	R
as at 1 July 2011	470,000	27,214,192	1,247,714,074	-	-	17,932,420	333,303	1,293,663,990
Cost/Revaluation	470,000	33,950,273	1,394,692,094	-	-	33,048,846	907,253	1,463,068,466
Correction of error (note 48)	-	-	-	-	-	-	-	-
Change in accounting policy (note 47)	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	(6,736,082)	(146,978,020)	-	-	(15,116,426)	(573,950)	(169,404,477)
Acquisitions	-	-	-	-	-	12,750,729	-	12,750,729
Capital under Construction	-	9,045,974	209,020,914	-	305,370	-	-	218,372,258
Depreciation	-	(1,080,154)	(26,269,917)	-	-	(4,493,807)	(229,085)	(32,072,963)
Carrying value of disposals	-	-	-	-	-	(169,305)	-	(169,305)
Cost/Revaluation	-	-	-	-	-	(1,122,292)	-	(1,122,292)
Accumulated depreciation and impairment losses	-	-	-	-	-	952,987	-	952,987
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Other movements*	-	-	-	-	-	-	-	-
as at 30 June 2012	470,000	35,180,011	1,430,465,072	-	305,370	26,020,037	104,218	1,492,544,709
Cost/Revaluation	470,000	42,996,247	1,603,713,009	-	305,370	44,677,283	907,253	1,693,069,162
Transfers	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	(7,816,236)	(173,247,937)	-	-	(18,657,246)	(803,035)	(200,524,453)
*Other movements consist of	-	-	-	-	-	-	-	-

Refer to Appendix B for more detail on property, plant and equipment. The council has 217 fully depreciated assets still in use.
Council policy is to dispose fully depreciated assets still in use in the next accounting period.

ZULULAND DISTRICT MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

PROPERTY, PLANT AND EQUIPMENT								
Reconciliation of Carrying Value	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R	R
as at 1 July 2011	400,000	26,471,713	1,122,551,585	-	-	17,560,454	562,388	1,167,546,140
Cost/Revaluation	400,000	32,163,378	1,243,192,396	-	-	28,833,323	907,253	1,305,496,350
Correction of error (note 48)	-	-	-	-	-	-	-	-
Change in accounting policy (note 47)	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	(5,691,665)	(120,640,811)	-	-	(11,272,869)	(344,865)	(137,950,210)
Acquisitions	-	-	-	-	-	4,280,963	-	4,280,963
Capital under Construction	-	1,786,896	151,499,698	-	-	-	-	153,286,594
Depreciation	-	(1,044,417)	(26,337,209)	-	-	(3,845,520)	(229,085)	(31,456,230)
Carrying value of disposals	-	-	-	-	-	(63,477)	-	(63,477)
Cost/Revaluation	-	-	-	-	-	(65,440)	-	(65,440)
Accumulated depreciation and impairment losses	-	-	-	-	-	1,963	-	1,963
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Other movements*	-	-	-	-	-	-	-	-
as at 30 June 2012	470,000	27,214,192	1,247,714,074	-	-	17,932,420	333,303	1,293,663,990
Cost/Revaluation	470,000	33,950,273	1,394,692,094	-	-	33,048,846	907,253	1,463,068,467
Accumulated depreciation and impairment losses	-	(6,736,082)	(146,978,020)	-	-	(15,116,426)	(573,950)	(169,404,477)

**ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012**

9 INTANGIBLE ASSETS	Note	R
9.1 Reconciliation of carrying value	Computer Software	Total
	R	R
as at 1 July 2011	210,547	210,547
Cost	1,986,082	1,986,082
Accumulated amortisation and impairment losses	(1,775,536)	(1,775,536)
Acquisitions	50,088	50,088
Amortisation	-	-
as at 30 June 2012	260,635	260,635
Cost	2,036,171	2,036,171
Accumulated amortisation and impairment losses	(1,775,536)	(1,775,536)

	Note	2012	2011
10 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS			
CREDITORS CONTROL ACCOUNT		204,422	3,716,063
CREDITOR PREV YEAR / YEAR END		44,143,096	29,228,820
BANK DEPOSITS NOT RECEIPTED		72,772	-
CREDITOR: K N SITHOLE		10,259	-
Other Creditors		-	572,067
Retention		32,814,482	29,821,502
Staff Leave		4,283,885	3,914,422
Accrued Expenses		4,99	5,094
Credit Card		-	9,252
Water Debtors with Credit Balances		<u>767,367</u>	<u>640,529</u>
Total creditors		<u>82,296,283</u>	<u>72,897,748</u>
11 CONSUMER DEPOSITS			
Water		3,318,848	3,279,005
Total consumer deposits ZDM does not pay interest on deposits refunded.		3,318,848	3,279,005
12 VAT RECEIVABLE			
Amount as previously reported @ 30.06.2010			4,610,938
Add: Reclassified to Vat payable			3,607,283
VAT		19,350,953	21,992,064
YEAR-END VAT RECLAIMABLE		<u>3,012,964</u>	
		<u>6,485,699</u>	
VAT RECEIVABLE		<u>15,878,218</u>	<u>21,992,064</u>
VAT PAYABLE			
Year end Vat reclaimable			5,054,192
Vat is accounted for on the payments basis.			
UNSPENT CONDITIONAL GRANTS AND RECEIPTS			
Unspent Conditional Grants from other spheres of Government			
Unspent Conditional Grants		<u>10,734,655</u>	<u>11,438,793</u>
Total Unspent Conditional Grants and Receipts		<u>10,734,655</u>	<u>11,438,793</u>

	Note	2012	2011
13 UNSPENT CONDITIONAL GRANTS AND RECEIPTS			
Unspent Conditional Grants from other spheres of Government			
Unspent Conditional Grants		<u>10,734,655</u>	<u>11,438,793</u>
Total Unspent Conditional Grants and Receipts		<u>10,734,655</u>	<u>11,438,793</u>

14 BORROWINGS

Total borrowings: Inca Loan	-	2,754,909
Less : Current portion transferred to current liabilities	-	1,499,844
Long term portion of borrowings	-	1,255,065
Refer to Appendix A for more detail on borrowings.		

**15 FINANCE LEASE LIABILITY
2012**

	Minimum lease payment	Future finance charges	Present value of minimum lease payments
Amounts payable under finance leases	R	R	R
Within one year	122,690	10,334	112,355
Within two to five years	-	-	-
	<u>122,690</u>	<u>10,334</u>	<u>112,355</u>
Less: Amount due for settlement within 12 months (current portion)			-

The average lease term is 5 years and the average effective borrowing rate is 30.06%. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

	Minimum lease payment	Future finance charges	Present value of minimum lease payments
	R	R	R
Amounts payable under finance leases			
Within one year	377,455	86,523	290,932
Within two to five years	<u>116,232</u>	<u>9,278</u>	<u>106,954</u>
	<u>493,687</u>	<u>95,801</u>	<u>397,886</u>
Less: Amount due for settlement within 12 months (current portion)			<u>397,886</u>

The average lease term is 5 years and the average effective borrowing rate is 30.06%. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

16 OTHER FINANCIAL LIABILITIES

OTHER CURRENT LIABILITIES

REVERSE R/D CHEQUE / RECEIPT REVERSAL	6,214	
DEPOSITS - IEC	2,905	
DEPOSITS - WSSA	<u>2,420</u>	
Other current financial liabilities	<u>11,539</u>	<u>32,875,119</u>

17 SERVICE CHARGES

Sale of water	20,609,439	16,239,151
Sewerage and sanitation charges	<u>6,468,551</u>	<u>7,447,137</u>
Total Service Charges	<u>27,077,989</u>	<u>23,686,288</u>

18 RENTAL OF FACILITIES AND EQUIPMENT

Rental of facilities	<u>98,400</u>	<u>83,973</u>
Total rentals	<u>98,400</u>	<u>83,973</u>

19 INTEREST EARNED - EXTERNAL INVESTMENTS

Bank	<u>13,252,501</u>	<u>12,316,926</u>
Total interest	<u>13,252,501</u>	<u>12,316,926</u>

Amounts payable under finance leases

20 INTEREST EARNED - OUTSTANDING RECEIVABLES

Debtors	<u>953,771</u>
Total interest	<u>953,771</u>

21 GOVERNMENT GRANTS AND SUBSIDIES

DWAF Accelerated Community infrastructure		4,235,794
DWAF- Bulk Infrastructure Grant	56,976,896	31,628,900
Equitable share	234,326,000	198,670,855
Expanded public works Programme	1,244,000	1,270,200
Finance Management Grant	1,250,000	1,000,000
Grant: Infrastructure	-	108,634
INDONSA	1,487,000	1,516,000
LED Catalyst	867,644	
Inter Governmental Relation	-	417,000
Local Government Cholera Project	303,662	
Massification	-	3,670,000
MIG Grant	227,100,000	164,112,000
Mona Market	-	1,000,000
Municipal Systems Improvement Grant	1,000,000	750,000
Massification	8,270,000	
Okhukho Rudimentary Project	2,700,000	
Other Government Grants and Subsidies	-	300,000
P700 Strategic Corridor	-	8,249,946
Shared Services Planning	2,516,827	1,360,128
Ulundi Airport	14,729,570	
Grants: ACIP	2,810,000	
Ulundi Tourism Hub	14,050,494	313,285
TOTAL GOVERNMENT GRANTS AND SUBSIDIES	<u>569,632,092</u>	<u>418,602,742</u>

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All water consumers receive 6kl free basic water.

MIG GRANT

Balance unspent at beginning of year	-	164,112,000
Current year receipts	227,100,000	-
Conditions met - transferred to revenue	<u>227,100,000</u>	<u>164,112,000</u>
Conditions still to be met - remain liabilities	-	-

MIG is implemented on a multi year programme and the conditions are met on a ongoing basis.

Other Conditional**Government Grants and Subsidies**

Balance unspent at beginning of year	11,438,792.77	6,296,780.00
Current year receipts	342,532,092.45	255,632,752.89
Conditions met - transferred to revenue	<u>(343,236,230.30)</u>	<u>(250,490,740.12)</u>
Conditions still to be met - remain liabilities	<u>10,734,654.92</u>	<u>11,438,792.77</u>
Changes in levels of government grants		

Based on the allocations set out in the Division of Revenue Act 2011, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

22 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS**OTHER INCOME**

		1,411,127
INSURANCE CLAIM	34,962	
MARATHON	31,002	
NEW CONNECTIONS - SEWERAGE	12,342	
NEW CONNECTIONS - WATER	45,279	
RECONNECTION FEES - WATER	90,022	
SUNDRY INCOME	2,498,289	
MULTIPURPOSE STADIUM	68	
SWIMMING POOL	2,300	
TELEPHONE EXPENSES RECOVERED	114,925	
Other income	92,302	
TENDER DEPOSITS	286,314	
TOTAL OTHER INCOME	3,207,806	1,411,127

23 EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	65,527,267	59,909,217
Employee related costs - Contributions for UIF, pensions and medical aids	13,869,078	12,534,175
Travel, motor car, accommodation, subsistence and other allowances	5,996,309	5,562,995
Housing benefits and allowances	563,081	498,758
Overtime payments	3,198,370	2,302,889
Other employee related costs	3,101,283	3,452,925
TOTAL EMPLOYEE RELATED COSTS	92,255,387	84,260,959

Remuneration of the Municipal Manager

Annual Remuneration	540,000	540,000
Performance- and other bonuses		123,050
Travel, motor car, accommodation, subsistence and other allowances	654,947	388,514
Contributions to UIF, Medical and Pension Funds	192,749	205,719
TOTAL	1,387,696	1,257,282

Remuneration of the Chief Finance Officer

Annual Remuneration	355,620	307,437
Performance- and other bonuses	-	84,280
Travel, motor car, accommodation, subsistence and other allowances	725,504	508,670
Contributions to UIF, Medical and Pension Funds	129,424	136,745
TOTAL	<u>1,210,547</u>	<u>1,037,132</u>

Remuneration of Individual Executive Directors	Planning R	Technical Services R	Corporate Services R	Community Services R
2012				
Annual Remuneration	361,204	307,437	307,437	270,000
Performance-and other bonuses	-	-	-	-
Travel, motor car, accommodation, subsistence and other allowances	550,560	809,033	812,211	374,517
Contributions to UIF, Medical and Pension Funds	149,372	98,989	136,333	44,127
Total	<u>1,061,136</u>	<u>1,215,459</u>	<u>1,255,981</u>	<u>688,644</u>
2011				
Annual Remuneration	225,233	307,437	307,437	307,437
Performance-and other bonuses	84,280	84,280	84,280	84,280
Travel, motor car, accommodation, subsistence and other allowances	402,288	523,522	506,703	240,712
Contributions to UIF, Medical and Pension Funds	109,799	99,983	137,493	53,219
Total	<u>821,600</u>	<u>1,015,222</u>	<u>1,035,914</u>	<u>685,648</u>

24 REMUNERATION OF COUNCILLORS

Councillors	3,826,533	3,012,918
Councillors' pension and medical aid contributions	262,080	354,537
Councillors' allowances	<u>1,585,444</u>	<u>1,424,303</u>
Total Councillors' Remuneration	<u>5,674,057</u>	<u>4,791,758</u>

In-kind Benefits

The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor has use of the Council owned vehicle for official duties. The Mayor has full-time bodyguards.

25 DEPRECIATION AND AMORTISATION EXPENSE

Property, plant and equipment	32,072,963	31,456,232
Intangible assets	<u>-</u>	<u>117,560</u>
Total Depreciation and Amortisation	<u>32,072,963</u>	<u>31,573,791</u>

26 FINANCE COSTS

Borrowings	253,335	618,348
Total Finance Costs	<u>253,335</u>	<u>618,348</u>

27 BULK WATER PURIFICATION AND SEWER TREATMENT

Electricity	24,414,174	17,267,229
Water	28,081,548	21,898,363
Total Bulk Purchases	<u>52,495,722</u>	<u>39,165,592</u>

28 CONTRACTED SERVICES

Contracted services for:	3,786,861	2,780,574
Security Services	380,814	277,125
Meter reading Services	<u>1,814,293</u>	<u>1,286,757</u>
Cleaning Service	<u>5,981,967</u>	<u>4,344,456</u>

29 GRANTS AND SUBSIDIES PAID

Grant/subsidy to Local Municipalities	980,879	899,694
	<u>980,879</u>	<u>899,694</u>

These grants comprise Tourism Grants to Local Municipalities and a Water Services Provider Grant to Abaqulusi Municipality

30 GENERAL EXPENSES

Included in general expenses are the following:-

Advertising	199,975	191,540
Audit fees	1,387,051	1,489,205
Bank charges	150,233	116,934
Cleaning	-	1,286,757
Conferences and delegations	65,305	37,947
Entertainment	430,133	439,651
Fuel and oil	5,870,086	4,321,730

Insurance	752,495	516,583
Membership fees	517,423	480,215
License fees	223,414	220,079
Postage	211,468	224,522
Printing and stationery	1,074,310	3,440,816
Professional fees	6,892,723	4,884,603
Rental of buildings	240,458	196,797
Rental of office equipment	403,567	368,696
Other rentals	450,941	337,204
Skills development levies	909,127	753,642
Stocks and material	163,310	105,654
Telephone cost	2,632,775	2,091,837
Training	1,642,609	1,024,849
Community & social expenditure	53,584,909	26,926,275
Travel and subsistence	5,370,643	4,050,567
Uniforms & overalls	140,655	404,475
Grants/ Projects expenditure	58,433,826	45,854,758
Other	24,484,351	46,117,239
	166,231,788	145,882,575

31 GAIN / (LOSS) ON SALE OF ASSETS

Property, plant and equipment	26,929.50	(22,983.98)
Total gain / (loss) on sale of assets	26,929.50	(22,983.98)

CASH GENERATED BY OPERATIONS

Surplus/(deficit) for the year	215,306,324	102,304,281
Adjustment for:-		
Depreciation and amortisation	32,072,963	31,573,791
Correction of Prior period error	-	2,508,225
(Gain) / loss on sale of assets	(3,454,609)	(22,984)
Finance costs-Borrowings	253,335	618,348
Interest - Investments	(13,252,501)	(12,316,926)
Interest-Outstanding debtors		
Operating surplus before working capital changes:	<u>230,925,512</u>	<u>124,664,736</u>
Working Capital	<u>(23,947,553)</u>	<u>19,489,765</u>
Increase in trade and other receivables from exchange transactions	(1,486,912)	2,643,176
Decrease in other receivables from non-exchange transactions	(131,131)	2,939,231
Increase in current portion of receivables	-	28,740
Increase in prepayments	(774,518)	695,981
(Increase)/decrease in VAT receivable	6,113,847	(13,773,843)
(Increase)/decrease in VAT payable	(5,054,192)	1,446,909
Increase in Inventory	(680,418)	2,123,456
(Increase) in non-current receivables	(839,372)	(1,516,942)
Increase in trade and other payables from exchange transactions	9,398,535	5,447,712
Increase/(decrease) in consumer deposits	39,843	15,916
Increase in current provisions	-	117,560
Decrease in current portion of unspent conditional grants and receipts	(704,137)	5,142,008
Increase in current portion of borrowings	-	175,770
Decrease in other current financial liabilities	(29,829,096)	14,004,091
Cash generated by/(utilised in) operations	206,977,958	144,154,501

Cash receipts from consumers, government and other		
Total revenue per statement of financial performance	614,222,561	456,674,820
Adjusted for items disclosed separately		
Interest received	(13,252,501)	(12,316,926)
Adjusted for working capital	2,976,013	(8,082,441)
Increase in trade and other receivables from exchange transactions	(1,486,912)	2,643,176
Decrease in other receivables from non-exchange transactions	(131,131)	2,412,973
Increase in current portion of receivables	-	28,740
(Increase)/decrease in VAT receivable	6,113,847	(13,773,843)
Increase in Inventory	(680,418)	2,123,456
(Increase) in non-current receivables	(839,372)	(1,516,942)
Decrease in Vat payable		
Cash receipts from consumers, government and other	603,946,073	436,275,454
Cash paid to employees, suppliers and other		
Total expenses as per statement of financial performance	(398,916,237)	354,370,539
Adjusted for non-cash items:	28,618,354	31,668,367
Depreciation	32,072,963	31,573,791
Appropriations for the year	-	-
Contribution to provisions - current	-	117,560
Other adjustments:		
<i>Loss on assets</i>	(3,454,609)	
Adjusted for items disclosed separately		(22,984)
Finance Costs	253,335	618,348

Adjusted for working capital	(26,923,567)	29,962,871
Increase in prepayments	(774,518)	695,981
Increase in trade and other payables from exchange transactions	9,398,535	8,482,196
Decrease in current portion of unspent conditional grants and receipts	(704,137)	5,142,008
Increase/(decrease) in consumer deposits	39,843	15,916
(Increase)/decrease in VAT payable	(5,054,192)	1,446,909
Increase in current portion of borrowings	-	175,770
Decrease in other current financial liabilities	(29,829,096)	14,004,091

33 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Bank balances and cash	170,026,780	175,013,351
Bank overdrafts	<u>(39,476,013)</u>	<u>(30,395,497)</u>
Net cash and cash equivalents (net of bank overdrafts)	<u>130,550,767</u>	<u>144,617,853</u>

24 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

Contributions to organize local government

Opening balance	-	-
Membership Fees	517,423	270,472
Amount paid - current	(517,423)	(270,472)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	-	-

Audit fees

Opening balance	-	-
Current year audit fee	1,387,051	1,489,205
Amount paid - current year	(1,387,051)	(1,489,205)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	-	-

The balance unpaid represents the audit fee for an interim audit conducted during May and June 20X2 and is payable by 31 July 20X2.

PAYE and UIF

Opening balance	-	-
Current year payroll deductions	12,680,630	12,680,630
Amount paid - current year	(12,680,630)	(12,680,630)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	-	-

The balance represents PAYE and UIF deducted from the June 20X2 payroll.

These amounts were paid during July 20X2

Medical and Pension Contributions

Opening balance	-	-
Current year payroll deductions and Council Contributions	16,164,057	16,164,057
Amount paid - current year	(16,164,057)	(16,164,057)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	-	-

The balance represents pension and medical aid contributions deducted from employees in the July 2011 to June 2012 payroll as well as Council's contributions to pension and medical aid funds.

These amounts were paid during July 2012.

The following Councillors had arrear accounts outstanding for more than 90 days as at:

as at 30 June 2012

	Total	Outstanding less than 90 days	Outstanding more than 90 days
	R	R	
Cllr T B Lukhele	22,203	-	22,203
Cllr V Z KaMagwaza-Msibi	(232)	(232)	
Cllr PATN Buthelezi	3,125	-	3,125
Cllr I A Mbatha	1,096	-	1,096
Cllr S E Nkwanyana	351	-	351
Cllr B J Mncwango	(136)	(136)	
Cllr T K Mkhize	6,571	-	6,571
Cllr K E Nxumalo	30,870	-	30,870
Total Councillor Arrear Consumer Accounts	-	-	-
as at 30 June 2011	63,848	(368)	64,215
Cllr FP Ntanz	7,890	251	
Cllr CR Khumalo	3,207		
Cllr SG Jali	8,549		
Cllr SR Shwala	32		
Cllr RV Sibiya	(137)		
Cllr NJ Manana	139		
Cllr PATN Buthelezi	442		
Cllr RM Ndlovu	(1,259)		
Cllr SG Magwaza	(389)		
Councillor xx	-	92	2,307
Total Councillor Arrear Consumer Accounts	18,474	343	2,307

During the year the following Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2012

		Highest Amount Outstanding	Ageing Days
		R	
Cllr K E Nxumalo	30,870	30,870	90x days
Cllr T B Lukhele	22,203		x days
Cllr T K Mkhize	6,571		
Cllr PATN Buthelezi	8,549		
Cllr I A Mbatha	1,096		90x days
Cllr S E Nkwanyana	351		x days
Total	69,640		

Water losses averaged 22% during the year	22,409	98,600	24,662,840
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Irregular Expenditure

Opening Balance	5,422,911	8,254,809
Current year	7,630,397	713,418
Less: Not actually in the service of the state	-	-
Condoned by Council	-	<u>3,545,316</u>
Irregular expenditure awaiting condonement	13,053,308	5,422,911

Unauthorised, Fruitless and Wasteful expenditure

Current year	20,098	29,088
Non-Compliance with Chapter 11 of the Municipal Finance Management Act		

35 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure

Approved and contracted for

RESTATED

Infrastructure	275,036,558	113,095,673
Community		
Heritage		
Other		

Budget Approved and not contracted for

Approved but not yet contracted for

151,898,594 -

Community	20,000,000	
Heritage	50,348,152	
Other		
Infrastructure	81,550,442	135,721,958

Total

426,935,152 248,808,631

This expenditure will be financed from:

Own Revenue	48,572,152	20,020,631
External Loans		
Government Grants	378,363,000	228,788,000

District Council Grants

426,935,152 248,808,631

36 Operating leases

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

Operating leases-lessee

Within one year	132,059	32,535
In the second to fifth year inclusive	223,512	18,707
After five years		
Total	<u>355,571</u>	<u>51,243</u>

Total future minimum sublease payment expected to be received under non-cancellable sublease

Related party balances

Loan accounts-Owing (to) by related parties

37 CORRECTION OF PRIOR PERIOD ERROR**Balance as Previously reported at 30.6.2010****1,241,163,066****Add: Correction of errors at 30 June 2010 and prior periods****(3,195,791)****Nature of error**

Salaries sundry creditors incorRect jnl a0093 June 2006	17,359
Medical Aid fund company contribution not written back	13,964
IEC rental JNL A0112 was reversed in error in 2008/2009	3,388
Cheque 38791 was replaced with incorrect vote 2009/2010	34,938
LIST OF STALE CHEQUES REPLACED IN A VOTE INSTEAD OF STALE CHEQUES VOTE	215,346
Stale cheque 46470,43670 was replaced in a vote	58,366
Correction of Error	10,000
Medical Aid fund company contribution not written back	(16,357)
Clir M Khumalo sal rejection not written back to allowances vote Oct 2006	(7,048)
CQ 33777 was not duplicated was reversed in 2008/2009	(10,712)
J P Mafukeka advance not written back to s and t	(1,659)
Co AA PAYE was not allocated in payroll 2007/2008	(8,582)
Salary rejections co 06 J W GUMEDE was not written back to salary vote	(2,519)
CLLR ZWANE advance was not in payroll in 2007/2008	(7,384)
Reversal of incorrect jnl e00154 in march 2008 for the late MR SHAW	(832)
Company Contribution was paid in vote instead of medical scheme vote	8,346
Medical Aid fund company contribution not written back	3,171
SAL cheques for 2008/2009 was cancel in 2009/2010 in a new grap	28,356
Cheque 39318 was replaced reversal of jnl e0242	(21,795)
Cheque 39421 was replaced reversal of jnl e0242	(13,500)
Reversal of stale cheque	13,476
Reversal of stale cheque	50,672
Incorrect Bank Recon	(0)
JNL E0244	(10,000)
Reversal of incorrect jnl A0199 in March 2009/2010 salary and wages	(11,731)
JNL E0244	62,269
JNL E0244	(0)
Reversal of JNL A025	(13,476)
Reversal of JNL A025	(50,672)
Reversal of JNL A008	(62,269)

Stale cheque 43430 was not replaced isizwe media video was damage	8,000
REVERSAL OF JNL E242	(28,856)
VAT DIFF WAS NOR REVERSED TO STALE VOTE	(42)
STALE CHEQUE FOR SABC DIFF AFTER WRITTEN BACK AN AMOUNT OWING TO MUNI	(8)
Corection of jnl a008	-
Reversal of incorrect journal	(100)
Ordini motors was duplicated added in debtors and in ONDINI DEBTOR	(18,111)
DEBTORS with credit balances for 2009/2010 not reversed in 2010/2011	(602,023)
Retention paid with incorrect votes	47,403
Retention paid with incorrect votes	87,213
Retention paid with incorrect votes	31,225
Journal for BCX	(3,103,165)
Correction of Error	0
Reversal of stale cheque	101,558
Restated Balance at 30.6.2010	1,237,967,275
For the 2011 period	5,704,017
Nature of error	
REV OF JNL A0232 corection of error balances incorect	(15,775)
REV OF JNL A0210 corection of error balances incorect	(312,377)
Rural sanitaion creditors raised 30/june 2010 paid against vote	2,116,553
Correction of error	21,869
Reversal of duplication	5,670
Refund for Medical Aid	9,418
Reversal of Journal	(5,670)
reversal of JNL A0209 201106	(28,356)
reversal of JNL E065	5,670
Re imbursement of s and t	(280)
Credit notes for duplicates payment	3,542,387
Journals affecting opening balance jnl a061	1,299
	16,438
Telephone for 2010/2011 was not written back	136

Debtor J B DLAMINI empl no 291 bonus and non pensionable from 09/10 to 10/11	63,120
Stale cheque paid with incorrect vote	37,031
Stale cheque paid with incorrect vote	28,856
Stale cheque paid with incorrect vote	114,066
Stale cheque paid with incorrect vote	125,305
Stale cheque paid with incorrect vote	69,969
Sal rejection for Masondo rejection	5,493
Credit that was not finalised	(21,868)
Medical aid company contribution 2010/2011	773
Medical aid company contribution 2010/2011	328
Stale chequer reversed in a wrong period 2011/2012	190,464
Medical aid company contribution 2010/2011	-
Comp Contribution	3,338
Comp Contribution	15,862
Comp Contribution	4,802
Float corection 2010/2011	400
Aros payment in cash focus for year end was not written back incorrect jnl to credit card vote	(8,545)
Reversal of jnl e0243 cheque was replaced	(6,984)
Incorrect calculations in journal A005	0
Reimbursement was not written back	(170)
Garnishee for 2010/2011 was paid in July 2011	(100)
Telephone Expense	(1,115)
Telephone for 2010/2011 was not written back	(174)
Lease liability	(4,518)
Pension company contribution not written back	5,271
	1,115
	1,115
Medical aid company contribution 2010/2011	57,632
Advance was not written back	(9)
Clearing of medical aid	(0)
Amount erroneously claimed	(1,111,949)
Reversal of amount	345,640
Investment incorrectly placed	20,994
Investment incorrectly placed	(0)

Reversal	62,269
	64,276
Retention	42,229
Retention	18,637
Retention	43,214
Journal for BCX	180,268
Incorrect Amount	(0)
Accumulated Surplus	102,281,298
Restated Balance at 30 June 2011	1,345,952,590

NET EFFECT OF PRIOR PERIOD ERRORS:

Decrease creditors	3,011,248
Decrease creditors	23,236
Decrease in debtors	(524,958)
Decrease in debtors	(1,300)
NET EFFECT	2,508,226

38 EMPLOYEE BENEFITS

Pension Benefits

Council's share of contributions to retirement benefit funds were	7,405,329	6,262,794
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As stated in the accounting policy note, all contributions to retirement benefit funds are treated as contributions to retirement contribution plans.

Post retirement benefits

Employees of the municipality do not enjoy post retirement medical benefits and the municipality has no legal or constructive obligation in this regard.

39 CONTINGENT LIABILITIES

Contingent liabilities comprises of:

Pending cases with Civil Culture (Construction Company)	178,532	1,927,560
Rates penalties charged Ulundi Municipality (Pending the waiving by Ulundi)	-	<u>166,194</u>
	<u>178,532</u>	<u>2,093,754</u>

40 CONTINGENT ASSET

Claim for Stolen cheques

3,481,539

Subsequent to the stealing of cheques, the court case is in progress. Some funds were frozen and according to our lawyers, it is probable that we may recover this amount from the Bank.

41 Financial Loss (Fraudulent Transactions)**(3,481,539)**

Financial Loss happened as result of fraudulently cashed stolen cheques

42 Statement of Comparison of Budget and Actual Amounts.

The Statement of comparison of Budget and actual amounts has been presented as a separate additional statement on The budget and actual financial statements are prepared on the accrual basis and covers the same period from 1 July 2011 to 30 June 2012.

Appendix F